Monday, May 1, 2023

Speaker Introduction

Robin O. Brena is a life-long Alaskan. He is the founder and managing attorney of the law firm Brena, Bell & Walker, P.C. (BB&W). BB&W has been named a Fortune 500 “Go To” law firm, an INTL “Client’s Choice Construction Law Firm of the Year in Alaska,” and a Global Law Experts “Commercial Litigation Law Firm of the Year in Alaska.”

Robin has decades of experience litigating complex, multi-party oil and gas, taxation, and regulatory matters on behalf of major oil companies, municipalities, public utilities, and Alaskans. He has successfully litigated several cases in which greater than one billion dollars was at issue.

Robin has a B.A. degree from New College, an M.B.A. degree from the Atkinson Graduate School of Management, a J.D. degree from Willamette University College of Law, and an L.L.M. degree from the University of Miami School of Law.

Robin has been repeatedly named as one of the “Top Attorneys in Alaska”; as one of Alaska’s “Super Lawyers” in the areas of oil and gas, public utilities, and business litigation; as the Leading Complex Civil Law Trial Attorney of the Year (Alaska); as a Lifetime Charter Member of “Best Attorneys of America”; as one of America’s Top 100 Attorneys (Alaska); and as a Lawyer of Distinction for excellence in Oil and Gas law.

Robin is licensed to practice law in the State of Alaska and the State of Texas, as well as to practice before the U.S. Supreme Court, the D.C. and Ninth Circuit Court of Appeals, and the U.S. Tax Court. He has taught and guest lectured at UAA and Willamette College of Law. He was also the Chairman of the Oil & Gas Subcommittee for Governor Walker’s transition team.

The Legislature's Constitution Duty

Article VIII Section 2:

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

Primary Mechanisms to Realize the Maximum Benefit for Alaskan’s Oil

- Corporate Income Taxes
- Royalties
- Production Taxes

Corporate Income Taxes Underperform

- Since 1977, when production for the Alaska North Slope began, all the major producers in Alaska have operated as publicly-traded C-Corporations.
- As a publicly-traded C-Corporation, BP paid corporate income tax in Alaska.
- When BP sold its Alaskan interests to Hilcorp, the income associated with BP's former interests was no longer subject to corporate income tax in Alaska simply because Hilcorp does not operate as a C-Corporation.
- All major producers in Alaska should continue to be subject to paying corporate income tax in Alaska.

Royalties and Production Taxes Underperform

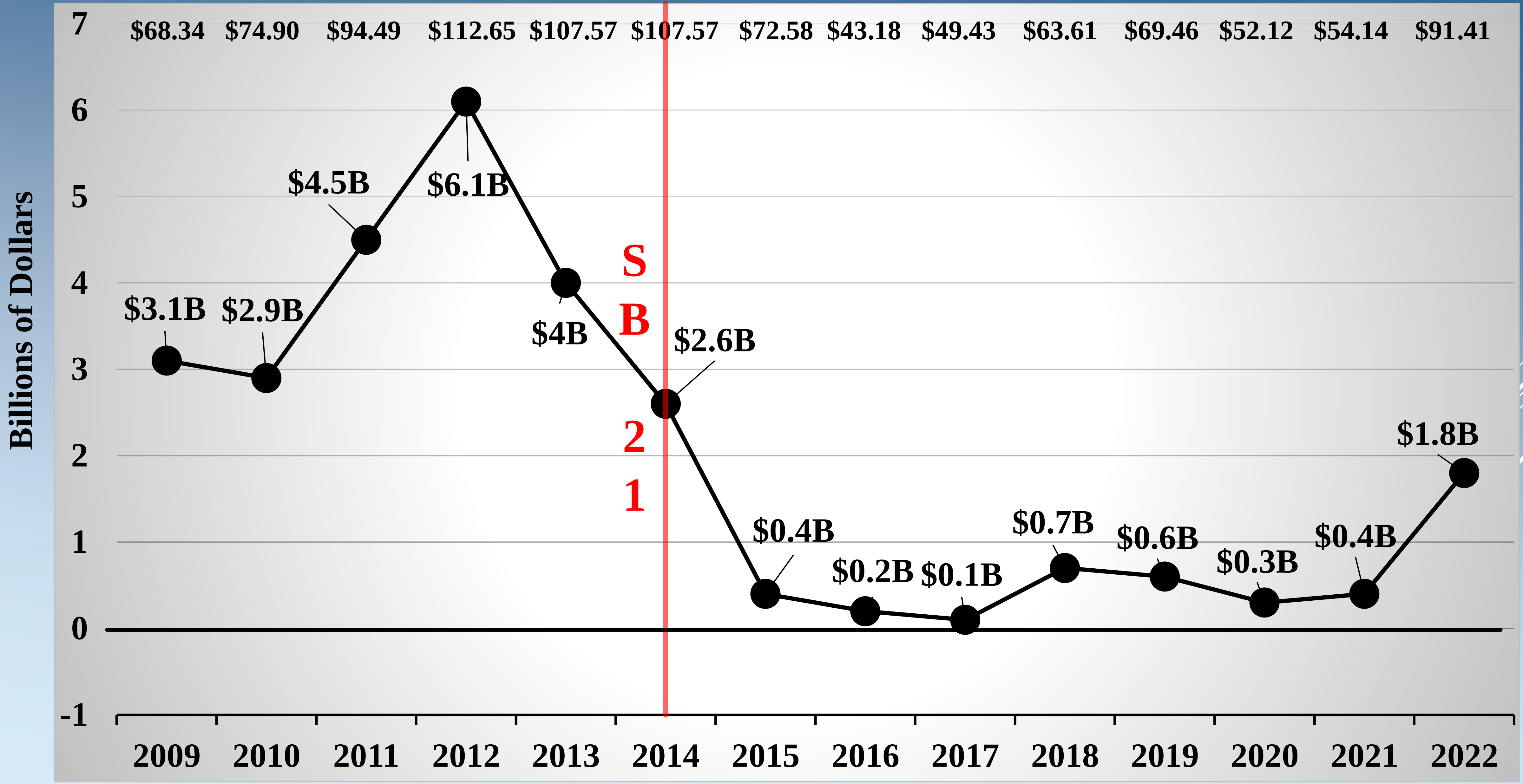
- **Other States**
  - **Texas** — **29.6% of Gross (NC)**
  - **North Dakota** — **28.7% of Gross (NC)**
- **Alaska Before SB21:** — **27% of Gross (1977-2014)**
- **Alaska Since SB21:** — **16.5-18% of Gross (2015-2022)**
  - **$4.5B total production taxes**
  - **$5.6B total per barrel credits**

Royalties Underperform

- **Typical Royalties**
  - **25%** **Texas/Arkansas/Private**
  - **20-25%** **Louisiana/Colorado/New Mexico**
  - **16.7-20%** **North Dakota/Wyoming/Utah/Fed Offshore**

- **Alaska's Royalties**
  - **12.5%** **Alaska**

Production Taxes Underperform



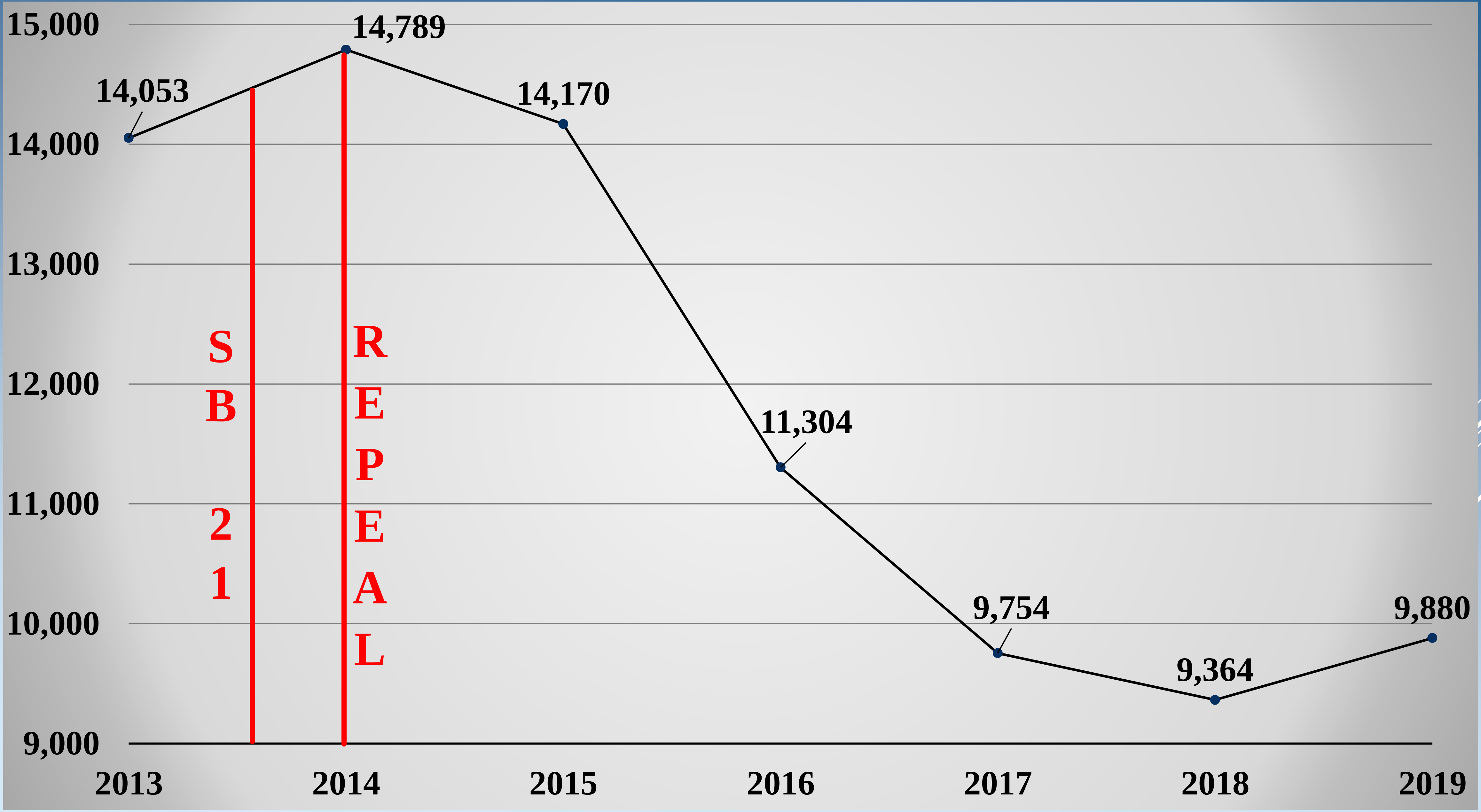
Prudhoe Bay Unit Underperforms (2018)

	Price (per bbl)	Barrels (Thousands)	Value (Millions)
Gross Revenue	**$63.61**	**106,033**	**$6,744.7**
Less: Transportation PBU to West Coast	($9.12)*	106,033	($967.0)
Less: PBU Royalty Barrels (12.5%)	$54.49	13,254	($722.2)
Less: PBU Operating Costs	$12.61	92,778	($1,170.0)
Less: PBU Capital Costs	$2.18	92,778	($202.0)
Net Production Value	**$39.70**	92,778	**$3,683.5**
Total Production Taxes Paid			**$229.7**

Production Tax Credits Underperform

	2018	2019	2020	2021	2022
Prudhoe Bay Unit Qualified Capital Expenditures ($ millions) – *per slide 20 of sponsor's 3/31/23 presentation*	202	391	119	106	220
Estimated Value of Per-Taxable-Barrel Credits Applicable to Prudhoe Bay Unit ($ millions) – *per slide 21 of sponsor's 3/31/23 presentation*	522	541	316	399	563
Ratio of Credit to Investment (credit per dollar invested)	**2.58**	**1.38**	**2.66**	**3.76**	**2.56**

Production Tax Credits Underperform (O&G Jobs)



Reasons for Underperformance

- **Lack of Legislative Oversight**
- **Lack of Transparency**
- **Unnecessary Complexity**
- **Corporate Tax Structure Not Kept Current**
- **Royalty Too Low**
- **Production Tax Rates Too Low**
- **Unnecessary and Excessive Credits**
  - **Legal Duty / Sufficient Economics / Benefits Should Exceed Credits**
  - **Credits Tied to Actual Investment**
  - **Giving Production Credits to Fields in Production for Decades Without Credits**
- **Underestimating Our Current Oil Wealth**

Economic Impacts of Senate Bill 114

- The Source of Additional State Revenues is Critical to Alaska's Economy
- Senate Bill 114 Will Help Alaska's Economy
  - It will retain a higher portion of our oil wealth in Alaska that would otherwise leave Alaska.
  - This will add new money into Alaska's economy that will have a multiplier impact.
- Many Other Potential Sources of Revenue Will Hurt Alaska's Economy
  - Income taxes and sales taxes primarily reallocate money already in Alaska's economy.
  - This reallocation from the private to the public sector will hurt Alaska's economy.
- The Alaskan Economy Will be Much Better Off if the State Funds its Budget Deficit by Retaining More of our Oil Wealth in Alaska than by Taxing Alaskans.